

MEMORANDUM FOR: AC/NIC

Attached is a revised copy of the "overview" for the Cancun summit. It includes suggestions made by OER & OPA. The paper is to be delivered to Amb. Meissner this Friday along with detailed country position papers prepared by OER & OPA.



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*This note was forwarded
to Ford with the attached.*

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IMPLICATIONS OF THE CANCUN SUMMIT

The Cancun summit is the latest episode in the long-standing and continuing North-South dialogue. While the interchange began in the 1960s, it reached its zenith in the mid-1970s when many LDC leaders thought they could emulate the clout enjoyed by OPEC and could depend on OPEC for financial and political support for their cause. OPEC, meanwhile, attempted to divert global attention away from dramatically rising energy prices by inducing a linkage between negotiations about energy and negotiations about a "New International Economic Order" (NIEO). The NIEO calls for a reordering of the international economic system in a way that would provide LDCs with a greater political voice in international councils as well as offering them vastly increased economic benefits.

Since the mid 1970s the North-South dialogue has settled back to a rather routine and less confrontational affair, as many LDCs found that they lacked both the economic clout and OPEC support that were necessary to acquire the political influence they desired. Furthermore, many of the original and more vociferous LDC leaders, such as Mexico's Echeverria and Algeria's Boumedienne, passed from the scene. The North-South contest would have become even less prominent had it not been for the persistence of leading members of the Socialist International, such as Willy Brandt, and their allies. The Cancun summit is largely the outcome of their endeavors.

To date, the North-South dialogue has (not surprisingly) borne little fruit. There has been a yawning gap between the rhetoric of discussants and pragmatic efforts to confront concrete problems. Both developed and less developed countries have indulged in the articulation of sweeping demands and responses, rarely getting down to brass tacks. There has also been an emphasis on process rather than substance, with enormous expenditures of time and effort expended in debating how to debate issues and in discussing how best to organize and facilitate discussions of issues. There are several reasons why rhetoric and generalization have not given way to realism:

- The most vociferous supporters of the NIEO, both in the Third World and the West, are captives of strong ideological predispositions which emphasize socialist utopias rather than incrementalism and flexibility.
- There are profound economic and political differences among the countries of the Third World, differences which can be papered over only by resort to rhetoric and generalization.
- Western beliefs in the free market, unfettered trade and investment, and private enterprise are incompatible with the socialist and collectivist beliefs of many Third World leaders.
- There are significant differences in the perceptions and economic interests of the DCs themselves.
- With a few exceptions, LDCs are neither politically nor economically critical to the West.

LDC Perceptions

The LDCs are deeply divided among themselves. The most economically-dynamic (e.g., South Korea, Taiwan, Singapore) have little or no interest in North-South dialogue. Some, such as the Ivory Coast or Malaysia, are pro-Western with a free market orientation; others, such as Ethiopia or Angola, are pro-Soviet with a Marxist-Leninist orientation. Many Third World states perceive themselves as genuinely non-aligned and are governed by leaders who, educated in the West, are steeped in the utopian socialist tradition of the British Fabians. Such leaders — Julius Nyerere is a leading example — combine a naive faith in socialist-collectivist policies with a contempt for Western democratic norms and a preference for authoritarian political institutions. Some Third World states, moreover, are potentially major regional powers and so have significant aspirations toward regional political leadership — Nigeria, India, Brazil — , and their political outlook is quite different than that of the majority of LDCs.

In economic terms, the LDCs range from wealthy oil-producing states (e.g., Saudi Arabia, Libya, and Kuwait) through highly efficient industrializing states (e.g., Singapore, South Korea, Taiwan, Hong Kong) to the extremely poor, agrarian and overpopulated states (e.g., Bangladesh and Egypt). Consequently, the interests and positions of the LDCs diverge markedly on individual issues, particularly if explicit and concrete proposals are offered. Thus, LDCs that are major producers of agricultural commodities are most interested in boosting and stabilizing prices for their exports; the rapidly industrializing states are seeking preferred access to Western markets and want low raw material prices; and the very poorest of the LDCs are preoccupied with ensuring subsistence and achieving domestic political stability.

The LDCs, therefore, have an interest in keeping the dialogue at a general level in order to maintain their unity. They see several interests in maintaining pressure upon the DCs, particularly at glittering international gatherings:

- These provide them with important domestic political benefits, particularly when they are seen to be critical of the West, notably the United States.
- The dialogue provides certain Third World leaders with an opportunity to compete with each other for leadership of the nonaligned movement and to promote the prestige of their countries.
- Such pressure upon the DCs results in some concrete economic benefits, at least for some LDCs.
- If such pressure results in the elaboration of international organizations, these provide additional forums to reap political benefits as well as providing international civil service positions that may be staffed by their countrymen or friends.

European Perceptions

European socialists and their allies sympathize with the plight of the LDCs which they perceive to be the international equivalent of the "underclass" within their own societies. Thus, they seek to harmonize their international attitudes with their domestic policies of economic and social reform. Additionally, some of the European leaders who wish to anchor and perpetuate detente with the USSR seek to uncouple North-South from East-West issues. And in other cases, notably the French and the Germans, European leaders strongly believe that economic frustrations in the Third World provide major opportunities for the Soviets who can and will manipulate and take advantage of these frustrations to increase their own influence and damage the West by stigmatizing it with the label of "neo-colonialism."

Despite these oft stated beliefs, the countries of Western Europe and Japan have relatively little to offer the LDCs at this time beyond existing commitments. In varying degrees, all of them have acute budgetary and other economic problems at home that preclude bold new initiatives in the North-South arena. Then, too, they are constrained by an array of domestic interests that would resist such initiatives. For example, even though Japan, Canada and most countries of Western Europe have supported a reduction in trade barriers against LDC manufacturers, their markets have remained relatively more closed to such LDC goods than the United States. Indeed, the EC has recently called for a further tightening of textile imports from LDCs in order to protect domestic industries.

In essence, despite their rhetoric the western countries have followed a practical course of damage limitation. They have bent only when necessary and have provided concessions that have been more often procedural rather than substantive. Within the framework of the North-South dialogue, resources transfers have been modest. Most of the substantially larger funds flowing to the LDCs since 1973 have been the result of bilateral arrangements and a major expansion of lending by the traditional multinational financial institutions such as the World Bank and the IMF.

The Soviet Dimension

Soviet refusal to attend the Cancun summit offers a considerable opportunity for the United States to point out and emphasize the very meager Soviet record in the area of developmental assistance to the Third World. Soviet interest in the Third World has been almost entirely limited to those countries where political influence was accessible to them or where potential "positions of strength" were apparent. The Soviet contribution to the North-South dialogue has been almost entirely restricted to criticism of the United States and its allies without any corresponding commitment to provide the wherewithal for economic development.

Notwithstanding its negligible contribution to Third World economic development, the USSR has made considerable inroads in recent years in Africa and the Middle East. In highly opportunistic fashion, Moscow plays upon local suspicions -- real and imagined -- of the highly visible public and private Western presence in a number of Third World countries. It takes advantage of local political quarrels, racial and tribal conflicts, dissatisfaction with specific American policies, and local memories of Western colonialism.

Some Possible Approaches to Cancun

A number of general approaches to the North-South question are available to the United States for the Cancun summit.

- The United States can continue to limit damage by expressing general sympathy for the concerns of the Third World, agreeing to continue the dialogue in a global forum, but avoiding precise commitments. The advantage of this approach is that it will satisfy those Western and Third World leaders who are largely interested in promoting a "positive" atmosphere without triggering the divisions which inevitably would arise if concrete proposals were discussed. The disadvantage of the approach is that it would neither halt Soviet propaganda nor deter further Soviet hostile activities. It also would assure a continuation of Third World pressure to squeeze incremental and piecemeal concessions from the West. The cumulation of these concessions could produce damaging distortions for the international economic system.
- The United States can seek to bring an end to the multilateral dialogue by insisting on dealing with countries of the Third World on a bilateral basis. The advantage of this approach is that it would bring to an end the illusions of the Third World that Washington can be pressured ad infinitum or can be manipulated by Third World threats of tilting to the USSR. The disadvantage of this approach is that it would provide the USSR with additional propaganda opportunities, alienate even some of the moderate leaders of the Third World, and provoke tensions among the DCs. The United States would be seen as reactionary, recalcitrant, and disinterested in the Third World, and moderate leaders of the Third World would find themselves under increasing pressure at home to assume yet more radical positions.
- A third approach would be a gradual disengagement from the North-South dialogue combined with a forceful assumption of the initiative in a number of substantive areas largely on a bilateral basis. This might involve lowering US emphasis on and visibility at future North-South conclaves. At the same time, the United States could take the lead in promoting a policy of opening up developed country markets for LDC manufactures. Such an effort could be beneficial for the United States, since our allies would be taking a large share of LDC exports. The United States could also propose that each ally undertake bilateral assistance for which it is best suited. The United States, for example, could concentrate on bilateral assistance for programs to develop the private agricultural sector and/or the provision of an enlarged educational exchange program for administrative and technological training of Third World nationals. These efforts would have the important advantage of developing an important presence coupled with low visibility. The twin approach nevertheless would surely not eliminate the calls for massive new efforts to achieve greater political and economic

gains for the Third World, nor would it stop the Soviets from attempting to take advantage of unstable situations. But no approach could fully deter these undesirable activities.